Proposal for the supply and implementation of

Financial Enterprise Resource Planning System

(mSCOA Compliant)

Submitted by

Vesta Technical Services (Pty) Ltd.

To

Cederberg Local Municipality

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1. MANAGEMENT SUMMARY

The implementation of an mSCOA compliant Enterprise Resource Planning System is an exercise that will cut to the core of Cedarberg Local Municipality business operations, at both a procedural and human resource level.

Vesta currently has a boutique footprint in the municipal market which, together with circular 57 and the exceptional stability of our Phoenix Financial Management System at our clients, placed us in a unique position to focus all of our energy on the mSCOA project and in particular our mSCOA pilot, Tlokwe City Council.

It is common knowledge that, not only did Tlokwe City Council go live on the planned implementation date for piloting municipalities, but were also extremely successful in doing so. The new improved mSCOA version of Phoenix has been running at Tlokwe since 1 July 2015 without any significant problems. Vesta followed a philosophy of “Business as usual for Tlokwe after 1 July 2015” and this was evident in the positive results of the mSCOA pilot at Tlokwe.

Apart from the pilots at the Metros, our pilot at Tlokwe is one of, if not the largest, piloting Municipality in the country, which is a clear indication of the confidence Tlokwe has in their service provider and their Financial Management System.

It is also very important to note that, not only was the whole mSCOA project a huge success at Tlokwe, the Auditor General passed an unqualified audit report on Tlokwe City Council for the 14/15 financial year. This audit was carried out on the new mSCOA compliant system using the historic data for auditing purposes. Backed by

the success of the pilot project at Tlokwe, Newcastle Local Municipality opted for an early adoption of mSCOA and they are currently operating live as from 1 July 2016. Since the publication of the RT25 Transversal tender, we have been appointed by uMlalazi, Capricorn, Ulundi, Gamagara and Rustenburg municipalities.

In order to implement the Phoenix FMS, within the required timeframes, it will be critically important for all parties to get started without any delay and to demonstrate total commitment to the project so that information can be obtained quickly and the necessary decisions can be taken with no impact on the project timeline.

A system's true potential and value can only be unlocked if the users of the system have received the necessary training. The Transversal specifications made provisions for 6 (six) weeks. Should more training be required, it will be guided by prevalent transversal pricing. Receiving the correct and relevant training also contributes significantly towards dealing with any potential motivational and acceptance issues that might exist amongst staff members.

An accurate data migration exercise is not only complex and time consuming, but crucial to the sound financial operations of the municipality as well as a clean audit report after the fact. It is therefore imperative that the Vesta technical team is able to retrieve and load the current system's data without any problems. In this regard we have skilled resources that are completely familiar with the data structures of the Abacus FMS.

Without a proper site assessment it is impossible to judge what the current level of mSCOA compliance is or what the readiness of the supporting infrastructure is for the

deployment of an mSCOA compliant Financial Management System. It is therefore paramount that such an assessment is completed as soon as possible.

Vesta has created an mSCOA unbundling tool to assist with the unbundling and/or verification of non-compliance items. The unbundling and/or verification of the current chart will happen in parallel with the data migration phase.

Vesta fully understands the pressures and challenges associated with replacement of a Financial Management system in an organization. We are equipped and experienced to make this transition as painless and effortless as possible for Cedarberg Local Municipality, its municipal staff and its residents.

Given our successes with the mSCOA piloting phase at Tlokwe and the successful early adoption implementation at New Castle Municipality, backed by a team with more than 200 (two hundred) man years of collective municipal experience and a system with more than twenty years continuous service in the South African municipal market, we believe that we are ideally positioned to provide “Cedarberg Local Municipality ” with the best possible solution and support for its current and future requirements.

2. PHOENIX SYSTEM OVERVIEW

The Phoenix FMS is a seamless integrated ERP system whereby the core functions of the system forms an integrated modular design for the whole system.

These core functions are:

(a) IDP based Financial Planning and “What-If” analysis

(b) Comprehensive Revenue Management and Consolidated Billing

(c) Human Resources Management

(d) Payroll

(e) Supply Chain Management

(f) Inventory Management

(g) Job Costing

(h) Fleet Management

(i) Virements and Adjustment Budget

(j) Asset Management

(k) Document Management System (Related to Finance Department)

(l) Property Management

(m) Reporting

The key features of the Phoenix FMS are as follows:

(a) GRAP and mSCOA Compliant on a transactional level

(b) Entirely web based. This means that you only require a device with an internet browser to access the Phoenix FMS from anywhere in the world.

(c) Accrual Based Accounting

(d) Closed Period Accounting based on both the financial months and financial years

(e) Powerful utilities for navigating the system, finding the correct information effortlessly, financial planning and control, security, auditing, mSCOA versioning and unbundling.

(f) Open Systems Architecture making interfacing to other external systems very easy

(g) Real time updating of the GL for the Subsidiary Ledgers

(h) Proven and verifiable track record

(i) Unique easy to use user interface

Please refer to the attached Phoenix Product Brochure for more information.

3. PHOENIX ERP SERVER SPECIFICATIONS

3.1. Introduction

This document serves to set out the ideal server environment which should be considered by Cedarberg Local Municipality in the event of it acquiring Vesta's Financial Management System.

Although the proposed environment is aimed at addressing the AG's requirements regarding disaster recovery and secure access to information, the Financial Management System can be implemented on a single physical server, and Cedarberg Local Municipality will determine what it requires as far as its ICT infrastructure is concerned.

The infrastructure consists of two physical servers and caters for a Production, Pre-Production, QA Testing, and DR environment, and is scalable in order to cater for the Municipality's' immediate as well as future growth requirements.

Each physical server will have 24 cores and 512 GB memory, with 24 x 1.2TB disks on the SAN.

A server and SAN option is recommend as we believe this to be the most reliable and scalable solution for the required environment. The proposed SAN configuration caters for expansion should it become necessary due to growth of data and data storage within the Municipality.

Depending on Internet accessibility and the available network bandwidth, the QA testing and pre-production servers could be hosted either one of the Production or DR Physical servers. For the purpose of this recommendation the Production, Pre-Production and QA Testing virtual server environments will be hosted on one physical box, with the DR environment on the second physical box.

3.2. Server environments

3.2.1. Production environment

The Production environment consists of 3 (three) virtual servers, these being an application and database server, and 2 (two) web servers.

3.2.2. QA testing and Pre Production Virtual environments

The QA testing and pre-production environments will run as virtual servers on the same physical machine as the production environment,

thereby saving on hardware and licensing costs as the Microsoft licenses apply to the physical machine.

The pre-production server will have exactly the same version of the FMS system as is running in production, and this is the environment that the developers will have access to in order to deploy any new system updates or versions. The Municipality's IT staff will be responsible for then deploying the system updates or new versions into production. Having the pre-production environment will make it possible to replicate any system related production problems on the pre-production server for debugging and fixing.

The QA testing server will have a future version of the FMS software, where new requirements are developed and tested.

3.2.3. **Disaster Recovery Server**

The recommendation is for the physical box that will host the DR server to have the exact same hardware configuration as the physical box that hosts the production, pre-production and QA testing environments.

This will ensure, in the event of a disaster occurring, that the Municipality is in a position to continue working at the same level of efficiency. The synchronization of the production and DR servers can be accomplished by utilising Hyper-V replication, or via VEEM software.

3.2.4. Hardware/Software specification

- Hardware
- TBA

3.2.5. Operating System and Database requirement

- Microsoft Windows 2012 Datacentre server R2
- Microsoft SQL 2012 Enterprise.

4. PROJECT MANAGEMENT

Vesta uses a formal project management methodology based on the Prince2 standards and principles. This allows for a structured and controlled approach in managing a complex project to its expected and agreed conclusion, within budget and agreed timeframes. This is achieved by managing the questions of:

(a) What needs to be done,

(b) by Whom,

(c) When and

(d) Where as well as defining the specific milestones, risks and lessons learnt.

The project will be managed by a dedicated project manager under the auspices of a Project Steering Committee.

The parameters of the work that will emanate from this project, must be trademarked by the principles of integrity, ingenuity and intelligence.

Integrity - is defined as being about honour, honesty, stewardship, and doing the right thing. In this regard, we maintain our integrity by insisting on being fact-based, yet accepting the views of others.

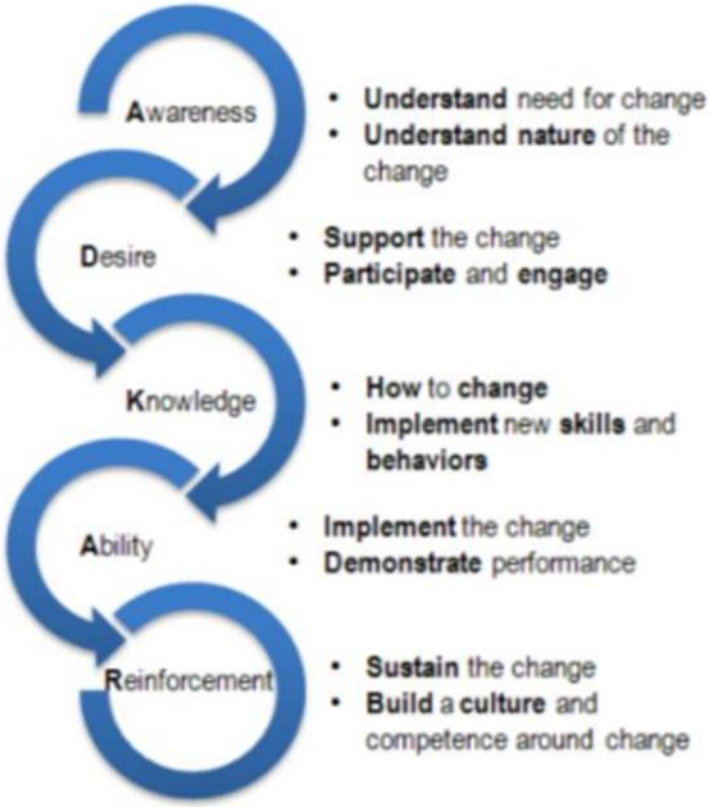
Ingenuity - has to do with getting things done despite limitations. We use our ingenuity to gather good information and to interact with colleagues in any situation, in a manner that will ensure their involvement, and harness a commitment to change.

Intelligence - comes from having good data, understanding it, contextualising it and analysing it. Intelligence will also entail applying what we have learned (from the data and from our own personal learnings and experiences) to help the organisation and people to succeed.

5. CHANGE MANAGEMENT

The approach to the Change Management work package is based on the ADKAR methodology. This model enables us to logically plan the change interventions in support of the larger programme. During the change management strategy this methodology will be adapted to the specific requirements of the Cedarberg Local Municipality implementation.

The ADKAR change management cycle works in a 5 (five) phase cycle.



6. IMPLEMENTATION METHODOLOGY

Vesta uses a 6 (six) step approach to implementing the Phoenix FMS. During each of the phases knowledge is transferred to the applicable user/s.

SETUP

- Contracts are finalised
- Project Plan is drafted and approved
- A formal GAP analysis is performed and documented
- The GAPS are prioritised and signed-off
- The hardware and software is procured and commissioned
- Business Process Workshops are conducted

CONFIGURATION

- The ERP is configured to close the GAPS as prioritised
- Build Data Migration tools
- Verify and Finalize unbundling of mSCOA chart
- Customization
- System training of senior personnel as trainers and testers
- Functional Testing

INTEGRATION

- Integration Customization with external systems
- Stress Testing
- System Performance Assessment

CUTOVER

- Finalize End-User training
- Final Data Migration
- System Cutover from old to new at the start of the new financial year
- Sign-Off

POST IMPLEMENTATION SUPPORT

- Invoke the SLA's
- Invoke the Vesta Call Management System

CONTINIUOS IMPROVEMENT

7. PROPOSED mSCOA ICT INFRASTRUCTURE

It is recommended that the municipality deploy 3 (three) instances of the Financial Management System in a Virtual Machine (VM) configuration namely:

- The production environment where the live financial operations will be conducted
- A Quality Assurance (QA) environment where user acceptance testing of system changes will be tested before going live.
- A Disaster Recovery (DR) site which will be a failover environment in the event of a disastrous incapacitation of the Production Environment.

Because the Phoenix FMS is a web based system it opens up a number of possible Infrastructure options for Cedarberg Local Municipality.

The recommended ICT infrastructure solution is to host and maintain your own servers in a Production, QA and Disaster Recovery configuration.

8. ASSUMPTIONS

- That the data from the current environment will be readily available and clean
- The mSCOA chart has been installed in the current FMS
- That Cederberg Local Municipality will avail the necessary personnel to assist with the various phases of this implementation project

- That the Business Process reforms have already been defined and implemented at Cederberg Local Municipality according to National Treasuries published mSCOA requirements.
- As far as the information received from Cederberg Local Municipality, the assumption is that Cederberg Local Municipality falls under a high B4 category. If this is found to be different the prices will be adjusted to what the transversal tender makes provision for.
- It is assumed that after implementation hand-holding period will commence from go-live for 6 (six) weeks. Hand-holding will ensure the successful first billing, general ledger, month-end and data extracts and reporting to National Treasury.

9. mSCOA Chart unbundeling

9.1 Vesta – Unbundling of mSCOA TB

9.1.1 Terms of Reference:

With reference to our knowledge of mSCOA, as well as the specific request for proposal received from Vesta, the following scope was indicated:

a. Unbundling of the Trial Balance of Cedarberg Local Methodology.

b. Site visits for data verification and obtaining detailed information

c. Reporting on issues and risks identified

9.2 Methodology

In order to successfully migrate from the current status quo to mSCOA the quality of information is crucial.

A process of data purification has to be undertaken. This process is set out in the steps below:

9.2.1 System(s) conversion/ migration

A system conversion/ migration refers to:

a. An extension or renewal or upgrade of an existing system(s); and/ or

b. Procuring a new system(s).

9.2.2 mSCOA conversion - transferring information between system(s)

Before any municipality transfers its information from its existing system(s) to its mSCOA aligned system(s), it is crucial to make sure that the information (to be transferred) is correct and of good quality.

The process to prepare the municipality's information (ensuring it is correct and of good quality) is referred to as "Data Purification". Data purification is an ongoing process of updating and/ or maintaining information and removing redundant, aged and inaccurate information.

mSCOA does not fix poor quality 'input information'.

The municipality should identify all information (balance sheet account balances) related to its:

(i) core financial system(s);

(ii) all sub systems which are to be integrated with the core system(s); and

(iii) all other data affecting any of these systems.

Our process is separated into 3 core areas:

1. "Mapping" the GL to the mSCOA chart (mostly the item segment)
2. Allocating other segments to the mSCOA chart, especially:
    a. Existing Projects
    b. Regions of assets/service delivery
    c. Sources of Funding

Vesta will assist the municipality in collecting all relevant information, organising it to be applicable for the intended process and ensuring it is available for inclusion in the mSCOA capable system of the municipality.

The VESTA tool will be utilised for unbundling.

9.2.3 Technical and specialised knowledge

The following staff will attend to the project at Cedarberg Local Municipality as per the project methodology.

1. Rudolf Rautenbach CA(SA)
2. Nelia Noeth

10. LICENSING AGREEMENT

The Licensing agreement is broken down between a maintenance and service fee.

The maintenance fee includes:

- Unlimited Help Desk Services from 07h30 to 16h30 every weekday excluding weekends and public Holidays
- Sponsoring the venues of the 3 (three) x user group meetings per annum.
- Secretarial services at the User Group meetings.
- Work shopping and analysing functional changes to the Phoenix ERP system as required and approved by the User group.
- Implementing functional changes at Phoenix ERP customers

The service fee includes:

- All refinements required by legislated changes from National Treasury.
- On-line link into client operational system.
- All system development maintenance requirements.
- Data integrity

11. EXCLUSIONS

The pricing for this phase excludes the cost of:

- Any exceptional costs due to special customization requests
- Any travel and subsistence allowances
- Any Data Cleansing

12. INCLUSIONS

Please see attached detailed price schedule

13. IMPLEMENTATION COSTING SUMMARY SCHEDULE B4 CATEGORY

THE ORIGINAL COSTS WITH FUJITSU WAS R5 200 000 OVER 3 YEARS.

VESTA IS R7 508 474 OVER A 4 YEAR PERIOD.

THE CLOSEST OTHER SYSTEM ACCORDING TO THE TRANSVERSAL TENDER IS R9 880 062.

SUMMARY SHEET - ONSITE	Vesta Total Proposal	Budget year 2017/2018	Budget year 2018/2019	Budget year 2019/2020	Budget year 2020/2021
Hardware requirement	356 798	356 798			
Once off License fee	737 292	737 292			
Annual maintenance fee - Year 1	353 638		353 638		
Annual maintenance fee - Year 2	467 294			467 294	
Annual maintenance fee - Year 3	505 591				505 591
Annual service fee - Year 1	336 349		336 349		
Annual service fee - Year 2	366 363			366 363	
Annual service fee - Year 3	400 049				400 049
After implementation - Year 1 On site	282 216		282 216		
After implementation - Year 2	298 706			298 706	
After implementation - Year 3	317 254				317 254
Status assessment cost	42 870	42 870			
Change management cost	447 787	447 787			
Requirement assessment	35 442	35 442			
Customise and setup	1 148 442	1 148 442			
Testing	103 477	103 477			
Training 4 Years	735 007	219 363	147 544	171 193	196 907
Hand-holding	573 900		573 900		
Asset Management Budget Tool					
Asset management tracking Software					
Maintenance Management					
CATEGORY B4 - ONSITE	R 7 508 474	R 3 091 470	R 1 693 646	R 1 303 556	R 1 419 802